

Office of
Personnel Management

Washington, D.C. 20415

In Reply, Refer To:

Your Reference

MAR 23 1985

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for
Legislative Reference

Dear Mr. Stockman:

The Office of Personnel Management has prepared the enclosed legislative proposal, "To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes," together with appropriate accompanying documents.

The proposal will accomplish the changes proposed for the Civil Service Retirement System in the President's fiscal year 1985 budget. These changes will bring the Civil Service Retirement System more into line with non-Federal practices and reduce the high cost of the System, while preserving adequate retirement benefits for Federal employees. Major changes include: computing average salary by using the highest earnings over five years rather than three years; increasing employee and employer contributions; changing the timing and method of computing cost-of-living adjustments (COLA's); omitting the COLA for fiscal year 1984; eliminating survivor benefits for students over age 18; eliminating the minimum annuity for future beneficiaries; and excluding newly-hired employees of the government of the District of Columbia from the Federal retirement, life insurance, and health benefits programs.

Generally, these changes will apply automatically, or can be extended by Executive order, to the Foreign Service Retirement System and the Central Intelligence Agency Retirement System. Under 10 U.S.C. 1401a(b), however, changes in the COLA provisions of the Civil Service Retirement law also apply automatically to military retired and retainer pay, which we understand is not intended with respect to all of the COLA changes in this proposal. Therefore, 10 U.S.C. 1401a(b) will also have to be amended if these changes are adopted, so that the military retired pay system will be affected by the COLA amendments only to the extent intended.

Honorable David A. Stockman


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We estimate that these proposed changes in Civil Service Retirement will result in the following savings for the unified budget:

Fiscal Year 1985	\$1,201 million
Fiscal Year 1986	2,495 million
Fiscal Year 1987	2,774 million
Fiscal Year 1988	3,048 million
Fiscal Year 1989	<u>3,344 million</u>
1985-89 total	\$12,862 million

We would appreciate receiving your advice as to whether the submission of this legislative proposal to Congress would be consistent with the Administration's program.

Sincerely,



Donald J. Devine
Director

Enclosures